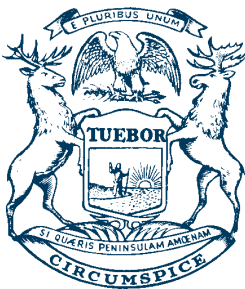




MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT



THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

“...The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.”

– Article IV, Section 53 of the Michigan Constitution

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Michigan *Office of the Auditor General* **REPORT SUMMARY**

Performance Audit

Bellamy Creek Correctional Facility

Department of Corrections (DOC)

Report Number:
47-208-04

Released:
April 2005

Bellamy Creek Correctional Facility's mission is to ensure the public's safety by effectively, humanely, and efficiently managing the Facility's resources. The Facility is a medium security (level III), close security (level IV), and minimum security (level I) facility for males, with a capacity of 1,830 prisoners. The Facility is located in Ionia County.

Audit Objective:

To assess the Facility's compliance with selected policies and procedures related to safety and security.

Audit Conclusion:

We concluded that the Facility was generally in compliance with policies and procedures related to safety and security. However, we noted reportable conditions related to tool control, prisoner counts, prisoner shakedowns and cell searches, self-audits, and preventive maintenance (Findings 1 through 5).

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Audit Objective:

To assess the effectiveness and efficiency of the Facility's food service operations, prisoner accounts, and prisoner store operations.

Audit Conclusion:

We concluded that the Facility's food service and prisoner store operations were only somewhat effective and efficient. We also concluded that the Facility's prisoner accounts were generally effective and

efficient. We noted reportable conditions related to food service, the prisoner store, and reconciliation of the Trust Accounting and Payroll System (TAPS) and the Michigan Administrative Information Network (MAIN) (Findings 6 through 8).

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Noteworthy Accomplishments:

In November 2001, DOC decided to close a facility and move its operations to Bellamy Creek Correctional Facility. The move included not only the prisoners and staff but also all cell furnishings and office equipment and furniture. The Facility successfully transferred 540 prisoners in less than 30 days to accommodate the opening of the new correctional facility. In January 2002, DOC closed another facility. As a result, Bellamy Creek Correctional Facility received an additional 300 to 400 prisoners and an additional 60 corrections officers.

In the short time that the Facility has been operational, staff have made many physical plant changes.

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Agency Responses:

Our audit report contains 8 findings and 9 corresponding recommendations. The Facility's preliminary response indicated that it agrees with all of our recommendations.

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obtained by calling 517.334.8050
or by visiting our Web site at:
<http://audgen.michigan.gov>



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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

April 15, 2005

Ms. Patricia L. Caruso, Director
Department of Corrections
Grandview Plaza Building
Lansing, Michigan

Dear Ms. Caruso:

This is our report on the performance audit of Bellamy Creek Correctional Facility, Department of Corrections.

This report contains our report summary; description of agency; audit objectives, scope, and methodology and agency responses; comments, findings, recommendations, and agency preliminary responses; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish".

Thomas H. McTavish, C.P.A.
Auditor General

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TABLE OF CONTENTS

BELLAMY CREEK CORRECTIONAL FACILITY DEPARTMENT OF CORRECTIONS

	<u>Page</u>
INTRODUCTION	
Report Summary	1
Report Letter	3
Description of Agency	6
Audit Objectives, Scope, and Methodology and Agency Responses	7
COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES	
Safety and Security	10
1. Tool Control	11
2. Prisoner Counts	13
3. Prisoner Shakedowns and Cell Searches	14
4. Self-Audits	16
5. Preventive Maintenance	18
Food Service Operations, Prisoner Accounts, and Prisoner Store Operations	20
6. Food Service	20
7. Prisoner Store	22
8. Reconciliation of TAPS and MAIN	24
GLOSSARY	
Glossary of Acronyms and Terms	27

Description of Agency

Bellamy Creek Correctional Facility's mission* is to ensure the public's safety by effectively, humanely, and efficiently managing the Facility's resources. The Facility, which opened in December 2001, is a medium security* (level III) and close security* (level IV) facility for males, with a capacity of 1,500 prisoners. Prisoners are held in individual or double-bunked cells within a secured, electronically monitored, double-fenced perimeter that includes three staffed gun towers. The Facility housed 1,452 prisoners as of September 30, 2004. The Facility also includes 322 minimum security* (level I) prisoners in a dormitory type facility (formerly part of the Michigan Reformatory), within a fenced perimeter with a capacity of 330 prisoners.

To achieve its mission, the Department of Corrections (DOC) and the Facility have developed procedures for fire safety, preventive maintenance, disaster planning, food service operations, prisoner accounts, and prisoner store operations.

The Facility provides programs for prisoners that include academic/vocational education, substance abuse, psychological counseling, hobby crafts, recreation, and special activities. Prisoners are given the opportunity to work at the Facility to earn money for personal needs and to develop good work habits.

The Facility, located in Ionia County, is under the jurisdiction of DOC. The warden is the chief administrative officer and is appointed by the director of DOC.

For fiscal year 2003-04, the Facility had appropriations of approximately \$34.1 million. As of September 30, 2004, the Facility had 503 employees.

** See glossary at end of report for definition.*

Audit Objectives, Scope, and Methodology and Agency Responses

Audit Objectives

Our performance audit* of Bellamy Creek Correctional Facility, Department of Corrections (DOC), had the following objectives:

1. To assess the Facility's compliance with selected policies and procedures related to safety and security.
2. To assess the effectiveness* and efficiency* of the Facility's food service operations, prisoner accounts, and prisoner store operations.

Audit Scope

Our audit scope was to examine the program and other records of Bellamy Creek Correctional Facility. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Audit Methodology

Our audit procedures, conducted from June through October 2004, included examination of Facility records and activities primarily for the period October 1, 2002 through October 31, 2004.

To establish our audit objectives and to gain an understanding of Facility activities, we conducted a preliminary review of Facility operations. This included discussions with various Facility staff regarding their functions and responsibilities and examination of program records, policy directives, and operating procedures. In addition, we reviewed self-audits*, monthly reports to the warden, and community liaison committee meeting minutes. We also reviewed the DOC internal audit reports for selected operations.

To assess the Facility's compliance with selected policies and procedures related to safety and security, we examined records related to firearm inventories; employee firearm qualifications; employee training; gate passes and public works; security threat

* See glossary at end of report for definition.

group (STG) members*; medication control; drug testing; prisoner, cell, and employee searches; and accounting for prisoners. We also examined records for fire safety, preventive maintenance, and disaster planning. We reviewed procedures and records for security monitoring exercises, self-audits, visitor safety, telephone monitoring systems, and documentation of items taken into and out of the Facility. On a test basis, we inventoried keys, critical tools*, dangerous tools*, and firearms.

To assess the effectiveness and efficiency of the Facility's food service operations, prisoner accounts, and prisoner store operations, we examined inventory controls over food service operations, prisoner store financial information, and controls over the prisoner funds accounting system. Also, we conducted an inventory of selected prisoner store items.

Agency Responses

Our audit report contains 8 findings and 9 corresponding recommendations. The Facility's preliminary response indicated that it agrees with all of our recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussions subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require DOC to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

* See glossary at end of report for definition.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

SAFETY AND SECURITY

COMMENT

Background: Bellamy Creek Correctional Facility operates under policy directives established by the Department of Corrections (DOC) in addition to operating procedures developed internally. These policies and procedures are designed to have a positive impact on the safety and security of the Facility as well as to help ensure that prisoners receive proper care and services. The procedures address many aspects of the Facility's operations, including key, tool, and firearm security; prisoner, visitor, and housing unit searches; prisoner counts; fire safety, preventive maintenance, and disaster planning; and food, medical, and educational services. Although compliance with these procedures should contribute to a safe and secure facility, the nature of the prison population and environment is unpredictable and inherently dangerous. Therefore, compliance with the procedures will not entirely eliminate the safety and security risks.

Audit Objective: To assess the Facility's compliance with selected policies and procedures related to safety and security.

Conclusion: We concluded that the Facility was generally in compliance with policies and procedures related to safety and security. However, we noted reportable conditions* related to tool control, prisoner counts, prisoner shakedowns* and cell searches*, self-audits, and preventive maintenance (Findings 1 through 5).

Noteworthy Accomplishments: On November 6, 2001, DOC decided to close the Michigan Reformatory and move its operations to Bellamy Creek Correctional Facility. The move included not only the prisoners and staff but also all cell furnishings and office equipment and furniture. Staff were assembled and placed at Bellamy Creek Correctional Facility to search the new facility for contraband*, to learn how to run new high-technology features, to write operating procedures, and to accomplish any other tasks that needed to be completed to prepare the prison for prisoners.

On December 3, 2001, the Facility moved the first of 30 prisoners and the appropriate number of staff to supervise these prisoners from the Michigan Reformatory to Bellamy Creek Correctional Facility. Facility staff continued to move 30 prisoners daily through

* See glossary at end of report for definition.

December 28, 2001. The Facility successfully transferred 540 prisoners in less than 30 days to accommodate the opening of the new correctional facility. Then, on January 6, 2002, DOC closed a facility in Jackson. As a result, Bellamy Creek Correctional Facility received an additional 300 to 400 prisoners and an additional 60 corrections officers throughout the month of January 2002. At the same time, DOC enacted a reduction of staff throughout the State and the Facility actually experienced a net reduction in staff.

In the short time that the Facility has been operational, staff have made many physical plant changes, such as building a 33,400-square-foot Michigan State Industries furniture factory, converting from a close security (level IV) facility to a multi-level facility, and converting one of the housing units from a level IV unit to a protective segregation unit.

FINDING

1. Tool Control

Bellamy Creek Correctional Facility needs to improve its control over critical and dangerous tools.

Accounting for tools and locating misplaced tools in a timely manner help ensure the safety and security of staff and prisoners. Proper control over the tool inventory helps ensure that all critical and dangerous tools are accounted for and that any lost or missing tools are detected and recovered in a timely manner.

DOC policy directive 04.04.120 requires the tool control officer to maintain a complete and up-to-date master tool inventory listing.

Our review of the tool control process in six tool storage areas disclosed:

- a. Twelve shovels and 2 salt spreaders in the sanitation shed and 1 shovel and 1 two-way radio in the housing units were not properly reported on the master tool inventory listing. We were informed that 14 of these tools had been removed from the storage area to make room for seasonal equipment, 1 tool was broken, and 1 tool was replaced. The master tool inventory listing was not properly updated for these changes.
- b. One power cord and 3 tool boxes in the Michigan State Industries tool crib and 1 caulk gun and 1 square in the maintenance tool crib were removed from

** See glossary at end of report for definition.*

their assigned location without the proper record to show that the items had been removed and who was responsible for them.

- c. Seventy-two tools, including reel mowers, snow shovels, and weed whips, in the maintenance storage barn had not been secured by the Facility in a cage or were not on shadow boards*. The tool control officer informed us that some of these tools were not on the master tool inventory listing and other tools were on the master tool inventory listing as being in other storage areas.

Also, our review disclosed that the tool control officer did not maintain an adequate record to document that the Facility's weekly tool inventory reports for critical and dangerous tools were submitted to the tool control officer as required. Our review of the tool control officer's records for the submission of the weekly tool inventory reports for the period January through June 2004 indicated that 9 (40.9%) of 22 locations had not submitted from 1 to 7 reports, a total of 21 (3.8%) of the 559 reports that should have been submitted. Facility operating procedure requires the responsible staff at the tool locations to submit a weekly tool inventory report to the tool control officer to document that they have verified that all tools were present and properly secured.

Facility staff informed us that follow-up on missing weekly tool inventory reports occurred at the end of each month for reports due that month. However, there was no further follow-up to ensure that the reports would be submitted in the future.

RECOMMENDATION

We recommend that Bellamy Creek Correctional Facility improve its control over critical and dangerous tools.

AGENCY PRELIMINARY RESPONSE

The Facility agrees and will comply. The Facility informed us that it recently received approval and filled one of its inspector positions that had been vacant for an extended period. The Facility also informed us that this inspector, who is designated as the tool control officer, has been given a priority assignment to establish compliance with the tool control policy and to resolve the audit findings. In addition, the Facility indicated that steps are being taken to update inventory

* See glossary at end of report for definition.

records and to properly store tools. The Facility further informed us that the tool control officer now ensures that weekly tool inventory reports are received timely and ensures resolution of any missing reports.

FINDING

2. Prisoner Counts

Bellamy Creek Correctional Facility's control center* and processing center* did not always document the prisoners' actual locations on the formal count reconciliation.

Documentation provides assurance that security measures are being performed in accordance with Facility operating procedures and helps ensure that prisoners are accounted for on a regular basis throughout the day.

The control center and processing center are responsible for reconciling formal prisoner counts taken in the housing units and other assignment locations within the prison. We noted that the Facility performed the required number of formal counts and accounted for the total number of prisoners within the Facility. However, it did not always document the reconciliation and resolution of prisoner formal counts when a prisoner was shown in two locations or when a prisoner was not accounted for within a housing unit.

Our review of the Facility's formal counts disclosed:

- a. The Facility's control center did not retain documentation of the physical location of 10 prisoners during 5 of 10 formal count reconciliations. At our request, the Facility was able to provide documentation that 6 of the 10 prisoners were located in the Facility's medical center. However, the Facility had not documented this during the original count reconciliation and could not provide the documentation of the physical location of the other 4 prisoners. The Facility's control center accounts for up to 1,500 prisoners.
- b. The level I facility's processing center did not retain documentation of the physical location of 91 prisoners during 12 of 40 formal count reconciliations. For 11 of the 91 prisoners, the housing units reported that the prisoner was in his assigned prison cell, while the formal count reconciliation indicated that the

* See glossary at end of report for definition.

prisoner was out on assignment. For 80 prisoners, the housing units reported that the prisoner was on assignment, while the formal count reconciliations indicated that the prisoner was at the housing unit. Facility staff informed us that they accounted for all prisoners but did not retain the documentation of where the prisoners were located. The processing center accounts for up to 330 prisoners.

RECOMMENDATION

We recommend that Bellamy Creek Correctional Facility's control center and processing center document the prisoners' actual locations on the formal count reconciliation.

AGENCY PRELIMINARY RESPONSE

The Facility agrees and informed us that it has complied. The Facility also informed us that an out-count form was developed and implemented for the control center. In addition, the Facility informed us that the level I count process was revised to include recording and retention of the actual location of the prisoners.

FINDING

3. Prisoner Shakedowns and Cell Searches

Bellamy Creek Correctional Facility did not ensure that officers performed and documented the required number of prisoner shakedowns and cell searches.

Conducting the required number of prisoner shakedowns and cell searches improves the Facility's likelihood of detecting and confiscating contraband and improves the safety and security of staff and prisoners.

DOC policy directive 04.04.110 requires non-housing unit corrections officers and corrections medical aides with direct prisoner contact to perform five prisoner shakedowns per day. Also, all resident unit officers, except the night shift, are required to perform a minimum of three cell searches per day. The policy further requires that facilities document prisoner shakedowns and cell searches in the appropriate logbook.

** See glossary at end of report for definition.*

Our review of prisoner shakedown and cell search records disclosed:

- a. First shift prisoner shakedown records for four days during July 2004 did not document that 44 (50.0%) of 88 corrections officers performed any of the required prisoner shakedowns. Also, we noted instances in which the prisoner shakedown records indicated that corrections officers performed prisoner shakedowns on days when they did not work. Facility staff informed us that although prisoner shakedown sheets are designed so that an officer records required shakedowns performed by date, the officers do not always complete the forms properly. Therefore, the Facility could not determine on which days they performed the prisoner shakedowns.
- b. Second shift prisoner shakedown records for four days tested in July 2004 did not document that 121 (25.1%) of 483 corrections officers performed any of the required prisoner shakedowns. Second shift officers prepared a summary sheet from officers' detailed shakedown forms. Facility staff informed us that this summary sheet was the official record of prisoner shakedowns and was used to verify that the required five daily prisoner shakedowns were performed. However, when the summary sheets did not show prisoner shakedowns at some locations, we reviewed detailed shakedown forms that disclosed 6 (37.5%) of 16 corrections officers did perform the prisoner shakedowns, but staff had not transferred the information to the summary sheets from shakedown forms completed by corrections officers.
- c. Level I resident unit officers did not document in the units' logbooks that they performed all required cell searches. For the months of January and July 2004, the units' logbooks did not document that cell searches were performed on 26 (13.5%) of 192 unit shifts in January and on 18 (9.4%) of 192 unit shifts in July for some housing units.

The Facility should establish controls, such as closer supervisory scrutiny of documentation, to help ensure that officers complete the required prisoner shakedowns and cell searches. Also, it may be necessary for the Facility to provide additional instructions to staff on how to properly document prisoner shakedowns and cell searches.

RECOMMENDATION

We recommend that Bellamy Creek Correctional Facility ensure that officers perform and document the required number of prisoner shakedowns and cell searches.

AGENCY PRELIMINARY RESPONSE

The Facility agrees and informed us that it has complied. The Facility indicated that a new prisoner shakedown form has been implemented to ensure that prisoner shakedown information is recorded using the same format on all shifts. The Facility also informed us that, on a daily basis, yard sergeants on each shift review and sign the shakedown form, noting any deficiencies, and initiate corrective action. In addition, the Facility indicated that, at least monthly, a shift commander on each shift reviews and signs the log, ensuring that shakedowns are completed as required, and takes action necessary to correct deficiencies. Finally, the Facility indicated that shift commanders are required to report prisoner shakedown information (both required and actual number completed) and any steps taken to correct deficiencies in their monthly report.

The Facility informed us that, to ensure sufficient cell shakedowns are performed, it implemented a daily audit of the cell shakedown log by the unit sergeants or unit managers and a weekly audit by the housing assistant deputy warden, who initiate appropriate corrective action. In addition, the Facility indicated that cell shakedown information is reported monthly to the warden, indicating what corrective action was taken if the required number of searches was not completed.

FINDING

4. Self-Audits

Bellamy Creek Correctional Facility did not comply with documentation, retention, and reporting requirements for self-audits of DOC policy directives.

Self-audits of DOC policy directives help management to ensure that all operations comply with policy directives to maximize safe and efficient operations. Properly conducting, documenting, and reporting self-audits enable management to identify potential areas of improvement within a facility.

DOC policy directive 01.05.100 requires that the DOC director annually select policy directives that each facility must self-audit. In addition, each warden shall select five additional policy directives that he/she feels should be reviewed to determine compliance with DOC policy and procedures and to correct any identified deficiencies.

Our review of the self-audits for calendar years 2002 and 2003 disclosed:

- a. The Facility did not adequately document work performed for 2 of the 3 self-audits, including how the audit conclusions were reached. We noted instances in which the self-audits specifically stated that no work was done for certain elements of the audit, but the self-audits still indicated that the Facility was in compliance with the policy.

Stating that the Facility is in compliance with a policy with no evidence or indication that work has been done to support that determination could result in the Facility placing reliance on controls that are not working as intended.

- b. The Facility disposed of the 2002 self-audit work papers when the 2003 self-audits were completed, even though none of the policies reviewed during the 2002 self-audits were included in the 2003 self-audits. Effective December 2, 2002, DOC policy directive 01.05.100 requires that self-audit work papers are to be retained for three years or until the next self-audit of that policy is completed, whichever occurs first.

Disposal of self-audit work papers prior to the required disposal date is contrary to established policy and results in the Facility not having documentation to support how the prior self-audit was performed.

- c. The Facility did not submit properly completed reports to the warden and to the regional prison administrator at the conclusion of the self-audit process.

By not preparing and submitting the required detailed report to the warden and regional prison administrator, these individuals are not fully informed of the work performed and results of the self-audit so that they can properly evaluate the adequacy of the review and the effectiveness of the Facility's implementation of the policy reviewed.

DOC policy directive 01.05.100 requires that a report be submitted to the warden with a copy to the regional prison administrator at the conclusion of the annual self-audit. The report is to provide a synopsis of self-audit work performed, including interview notes, documents reviewed, how samples were selected, a summary of the audit findings, recommendations for corrective action, and descriptions of corrective actions taken or that will be taken. Although reports were submitted to the warden, they did not contain all the required information.

RECOMMENDATION

We recommend that Bellamy Creek Correctional Facility comply with documentation, retention, and reporting requirements for self-audits of DOC policy directives.

AGENCY PRELIMINARY RESPONSE

The Facility agrees and will comply. The Facility informed us that individuals involved in the 2005 self-audit have been trained using an updated training module. In addition, the Facility indicated that its self-audit coordinator will ensure compliance with the documentation, retention, and reporting requirements.

FINDING

5. Preventive Maintenance

Bellamy Creek Correctional Facility had not developed a written preventive maintenance plan for its systems and equipment and did not submit the plan to DOC for approval. Also, the Facility had not implemented an operable alternative fuel system.

The documented completion of all scheduled preventive maintenance and safety inspections and work orders is necessary to reduce the risk of system or equipment failures. The plan is to be designed to provide economical use of all equipment and to ensure that all equipment will operate effectively during emergency situations. Also, these inspections may help the Facility identify potential safety and security hazards to visitors, staff, and prisoners.

DOC policy directive 04.03.100 provides that each facility develop a written preventive maintenance plan and submit it for approval to the Physical Plant

Division in DOC's central office to ensure that all systems and equipment are functioning properly. The policy directive identifies each system that should be included in the preventive maintenance plan. In addition, the policy directive states that the maintenance department shall develop inspection checklists, logs, or computer software to facilitate monitoring and to document maintenance activities. Although the Facility has not completed its preventive maintenance plan, the Facility was in the process of developing preventive maintenance inspection intervals.

In addition, the Facility's alternative fuel system has never passed an initial 72-hour test, which is required for the alternative fuel system to be operable. As part of its preventive maintenance plan, the Facility should have assurances that the alternative fuel system is operational. Per the contract with the alternative fuel system contractor, the system must be operated at full load for 72 hours without any equipment or control failures to be operational.

RECOMMENDATIONS

We recommend that Bellamy Creek Correctional Facility develop a written preventive maintenance plan for its systems and equipment and submit the plan to DOC for approval.

We also recommend that Bellamy Creek Correctional Facility implement an operable alternative fuel system.

AGENCY PRELIMINARY RESPONSE

The Facility agrees and informed us that it has complied. The Facility indicated that the preventive maintenance plan has been completed and approved by the Physical Plant Division. In addition, the Facility informed us that the alternative fuel system contractor was contacted and completed the necessary work to make the system ready for 72-hour testing. However, the Facility indicated that, as a precautionary measure, the testing of its alternative fuel system will not occur until after the winter weather breaks and use of its heating system is not anticipated.

FOOD SERVICE OPERATIONS, PRISONER ACCOUNTS, AND PRISONER STORE OPERATIONS

COMMENT

Audit Objective: To assess the effectiveness and efficiency of the Facility's food service operations, prisoner accounts, and prisoner store operations.

Conclusion: We concluded that the Facility's food service and prisoner store operations were only somewhat effective and efficient. We also concluded that the Facility's prisoner accounts were generally effective and efficient. We noted reportable conditions related to food service, the prisoner store, and reconciliation of the Trust Accounting and Payroll System* (TAPS) and the Michigan Administrative Information Network* (MAIN) (Findings 6 through 8).

FINDING

6. **Food Service**

Bellamy Creek Correctional Facility did not effectively monitor food service operations. As a result, the Facility's food cost of \$2.85 per prisoner per day was the highest food cost per day of all State correctional facilities. The other State correctional facilities' food cost ranged from \$2.02 to \$2.77 per prisoner per day in fiscal year 2002-03. Total food service costs were approximately \$1.7 and \$1.8 million during fiscal years 2002-03 and 2003-04, respectively.

Effectively monitoring food service operations could result in a more efficient use of inventory and a reduction in food costs, while still meeting the prisoners' nutritional needs.

We analyzed the Facility's food service operations (excluding the level I facility) and noted:

- a. The Facility routinely prepared an excessive number of meals for the number of prisoners housed. Our review of entrees for lunch and dinner as noted on the food production work sheets prepared by food service staff for a two-week period in June 2004 indicated that the Facility prepared an average of 14.3%

** See glossary at end of report for definition.*

in excess meal portions daily. We estimated that 14.3% excess daily meals cost \$216,000 a year.

For 3 of the 28 meals that we reviewed, we noted that the Facility prepared 350, 550, and 542 entrees over the amount recommended on the food production work sheet.

The food production work sheets are intended to assist in planning for meals each day and developing an expectation of meal portions to be served on future days. Preparing meals in accordance with the food production work sheet would assist the Facility in better utilizing its food inventory and ultimately lowering its food costs.

- b. The Facility used procurement cards to purchase some meal related items, rather than using the traditional purchasing process. As a result, the Facility was not receiving vendor discounts that apply to contracted items purchased through the traditional process. Our review of June 2004 procurement card transactions for one vendor determined that the Facility paid an average of 67.7% more than the State contract amount. The Facility purchased \$99,535 and \$111,059 from this vendor in fiscal years 2002-03 and 2003-04, respectively, resulting in increased food costs of approximately \$68,000 for these fiscal years.
- c. The Facility did not provide a listing of employees who were eligible for free meals to food service operations as required by DOC policy directive 02.04.105. Also, the Facility did not require all employees to sign a logbook when receiving or purchasing a meal at the Facility. DOC policy directive 02.04.105 allows employees assigned to a full eight-hour shift within the security perimeter to receive a free meal if the Facility provides food service.

Maintaining accurate staff meal counts would assist food service staff in estimating the amount of food to prepare for meals and help ensure that only authorized employees receive free meals.

RECOMMENDATION

We recommend that Bellamy Creek Correctional Facility effectively monitor food service operations.

AGENCY PRELIMINARY RESPONSE

The Facility agrees and informed us that it has complied. The Facility indicated that staff schedules were adjusted to provide more supervision and monitoring of meal production. The Facility also indicated that training has been provided to food service staff regarding the preparation and use of food production work sheets. In addition, the Facility indicated that use of procurement cards for contract items was discontinued immediately upon discovery of the lost discounts and that a system has been developed to identify all staff receiving meals to ensure payment, as appropriate.

FINDING

7. Prisoner Store

Bellamy Creek Correctional Facility had not implemented sufficient controls to safeguard prisoner store inventory. As a result, monthly physical inventories of store goods routinely identified overages and shortages of numerous items and often times these variances could not be explained.

Our review of prisoner store operations disclosed:

- a. The Facility did not have adequate separation of duties. Prisoner store staff received and accounted for inventory, supervised prisoners working in the warehouse, conducted a monthly physical inventory, and reconciled significant variances resulting from the counts. Although the Facility's business office personnel verified selected items during monthly counts, they did not always sign or initial that items were verified. Thus, there was no documentation that the items were independently verified.

Prisoner store staff often noted variances during the monthly physical inventories and adjusted the inventory to agree with the actual count with little effort to explain the variances. These variances would occur over several months, with one month showing a significant shortage for an item and the next month showing a significant overage of that same item. We noted instances in which the inventory balance increased, even though the Facility made no new purchases of the item during the month.

We conducted an inventory count of 28 items that appeared to have the most adjustments for overages and shortages or damaged and stolen goods over a three-month period. During our count, we noted several discrepancies, some of which were significant. For example, we noted a shortage of approximately 1,900 packages of Ramen noodles and an overage of 550 packages of coffee. The Facility was able to explain the difference related to the packages of coffee but was unable to explain the difference related to the packages of Ramen noodles.

Prisoner store staff informed us that prisoners hide items and that occasionally boxes are incorrectly labeled contributing to overages and shortages. We did note instances of prisoner attempts to hide items during our count.

- b. Prisoner store staff regularly posted inventory purchases and adjustments to the Commissary System but did not use the System for comparison to the actual physical inventory. The inventory is calculated by adjusting the prior month ending balance from a manual record of purchases and damaged goods maintained by prisoner store staff and a computerized record of sales from the Commissary System. Using the Commissary System for the inventory process would allow the Facility to maintain a perpetual inventory, rather than relying on a manually calculated inventory at month-end. An automated inventory system could help reduce or resolve inventory discrepancies.
- c. The physical location and set up of the Facility and the process for prisoner shakedowns was not sufficient to prevent or detect causes of the inventory discrepancies. We noted that the prisoner store is located a distance from the Facility, is not visible to Facility management, and does not have any type of electronic monitoring system. In addition, we observed instances in which prisoner storekeepers were not sufficiently searched prior to leaving the prisoner store. As a result, the Facility could not properly monitor the activities of the prisoner storekeepers, properly monitor store activity, or ensure that items were not improperly removed from the store.

RECOMMENDATION

We recommend that Bellamy Creek Correctional Facility implement sufficient controls to safeguard prisoner store inventory.

AGENCY PRELIMINARY RESPONSE

The Facility agrees and will comply. The Facility informed us that existing processes have been improved and new processes have been implemented to safeguard inventory and resolve the issues identified in the audit. The Facility also informed us that storekeepers are ensuring that information on the orders and packing receipts agrees with material received. In addition, the Facility indicated that business office personnel now indicate which inventory items were verified and by whom. The Facility also indicated that business office personnel now enter all purchases into the Commissary System and perform a monthly reconciliation with manual inventory results using the Commissary System. In addition, the Facility informed us that prisoner store workers receive a shakedown upon entering and exiting the prisoner store and that additional reconciliation and scrutiny of prisoner store inventory and processes is planned when staffing permits.

FINDING

8. Reconciliation of TAPS and MAIN

Bellamy Creek Correctional Facility did not reconcile TAPS with MAIN on a monthly basis.

Without periodic reconciliations, errors may not be detected and the prisoner accounts in TAPS and MAIN may not be appropriately recorded.

DOC policy directives require that the prisoner accounting system records be reconciled at least monthly with MAIN. Also, sound internal control requires that TAPS be reconciled with MAIN to help ensure that the amounts recorded in TAPS and MAIN are correct and that any possible errors are detected.

As of August 2004, the Facility had completed monthly reconciliations only through July 2002. We reviewed the balance of the prisoner working fund recorded in MAIN and compared it with the balance recorded in TAPS as of August 31, 2004. The TAPS balance was \$6,919 more than the MAIN balance, which totaled \$121,034.

RECOMMENDATION

We recommend that Bellamy Creek Correctional Facility reconcile TAPS with MAIN on a monthly basis.

AGENCY PRELIMINARY RESPONSE

The Facility agrees and informed us that it is taking steps to comply. The Facility also informed us that monthly comparisons of TAPS and MAIN transactions have been implemented for transactions entered prior to September 2002 and after February 2004. Also, the Facility indicated that monthly comparisons for the period September 2002 through February 2004 will be completed as staffing permits and that, upon completion of the comparisons, TAPS and MAIN will be reconciled and brought into balance.

GLOSSARY

Glossary of Acronyms and Terms

cell search	The act of going through a prisoner's cell and belongings looking for contraband.
close security (level IV)	A classification assigned to prisons that house prisoners who have a sentence of more than 60 months, who can generally be managed in the general population of prisons, and who have not shown a tendency to escape from close security.
contraband	Property that is not allowed on facility grounds or in visiting rooms by State law, rule, or DOC policy. For prisoners, this includes any property that they are not specifically authorized to possess, authorized property in excessive amounts, or authorized property that has been altered without permission.
control center	Central area of communication for the facility. The control center has contact with all officers by radio and loudspeaker.
critical tools	Items designated specifically for use by employees only or for use or handling by prisoners while under direct employee supervision. Critical tools shall be stored only in a secure area and shall be accounted for at all times.
dangerous tools	Items that may be used or handled by prisoners while under indirect employee supervision. Dangerous tools shall be stored only in a secure area and shall be accounted for at all times.
DOC	Department of Corrections.
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical with the minimum amount of resources.

medium security (level III)	The classification assigned to prisons that house prisoners who generally have longer sentences than minimum security prisoners, who need more supervision but who are not likely to escape, or who are not difficult to manage. This classification is high medium and covers institutions with rooms or cells.
Michigan Administrative Information Network (MAIN)	The State's fully integrated automated administrative management system that supports the accounting, payroll, purchasing, contracting, budgeting, personnel, and revenue management activities and requirements. MAIN consists of four major components: MAIN Enterprise Information System (EIS); MAIN Financial Administration and Control System (FACS); MAIN Human Resource System (HRS); and MAIN Management Information Database (MIDB).
minimum security (level I)	The classification assigned to prisons that house prisoners who can live in facilities with a minimal amount of security. These prisoners are normally relatively near parole, are not serving time for a sexual offense, and have no history of certain kinds of arson behavior.
mission	The agency's main purpose or the reason that the agency was established.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
processing center	The control center of the minimum security (level I) facility.

reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.
security threat group (STG) member	A prisoner who is considered a threat to the safety and security of an institution because of gang-related activities or affiliations or violence toward staff or other prisoners. Prisoners can be designated as STG I (members of gangs or groups) or STG II (leaders of gangs or groups). Prisoners who are designated as STG II must generally be housed in a maximum security (level V) facility.
self-audits	Audits performed by facility staff that enable management and staff to ensure that all operational units comply with policy directives and take proactive steps to correct any noncompliance. Performing self-audits is intended to maximize safe and efficient operations by DOC.
shadow boards	A board that displays tools and has the outline of the tools painted on it to identify critical (red) or dangerous (blue) tools.
shakedown	The act of searching a prisoner, an employee, or a visitor to ensure that he/she does not have any contraband in his/her possession.
Trust Accounting and Payroll System (TAPS)	The automated accounting system that supports the accounting of the prisoners' funds and payroll.

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